

IMPORTANT INFORMATION ABOUT COBRA

CONTINUATION COVERAGE RIGHTS

This notice is an overview and does not fully describe continuation coverage or other rights under the City of Memphis Group Health/Dental Plans. More information about continuation coverage and your rights under the Plan is available in your summary plan description or from:

City of Memphis Benefits Office-Room 438
125 N. Main Street
Memphis, TN 38103
(901)576-6761

What is COBRA (Continuation Coverage) and who has to comply?

The Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 provides terminated employees and/or their covered dependents, collectively referred to as “qualified beneficiaries,” with the right to continue group health/dental benefits for a specific period of time. Every employer who maintained a group insurance plan, and who employed 20 or more full and/or part-time employees during 50 percent of the business days in the preceding year, must comply with this federal law, unless it is considered a “church group”.

Federal law requires that most group health/dental plans give employees and their families the opportunity to continue their health/dental care coverage when there is a “qualifying event” that would result in a loss of coverage under an employer’s plan. Depending on the type of qualifying event, “qualified beneficiaries” can include the employee covered under the group health/dental plan, a covered employee’s spouse and/or dependent children. The first page of the enrollment notice lists the qualified beneficiaries entitled to elect continuation coverage. Each qualified beneficiary who elects continuation coverage will have the same rights under the plan as other participants under the plan. Specific information describing continuation coverage can be found in the summary plan description (SPD), which can be obtained from the City of Memphis Benefits Office.

How can continuation coverage be elected?

It is permissible for you to notify the Plan Administrator (City of Memphis Benefits Office) that you have a qualifying event and want to elect continuation coverage. However, when the “Separation From Payroll” form has been processed for you in the City of Memphis system, the Benefits Office will be notified so that continuation coverage may be offered to you. The Health Benefits Continuation Plan Notice will be mailed to your last known address. It is very important that you keep the Plan Administrator informed of address changes for yourself or any of your covered dependents because all communication regarding your continuation coverage will be sent by mail and will not be forwarded by the postal service.

Each qualified beneficiary listed on page one of this notice has an independent right to elect continuation coverage. For example, both the employee and the employee’s spouse may elect continuation coverage, or only one of them. Parents may elect to continue coverage on behalf of their dependent children only. A qualified beneficiary must elect coverage by the date specified on the Election (Enrollment) Form. Failure to do so will result in loss of the right to elect continuation coverage under the Plan. A qualified beneficiary may change a prior rejection of continuation coverage any time until that date.

In considering whether to elect continuation coverage, you should take into account that a failure to continue your group health coverage will affect your future rights under federal law.

- First, you can lose the right to avoid having pre-existing condition exclusion applied to you by other group health plans if you have more than a 63-day gap in health coverage, and election of continuation coverage may help you not have such a gap.
- Second, you will lose the guaranteed right to purchase individual health insurance policies that do not impose such pre-existing condition exclusions if you do not get continuation coverage for the maximum time available to you.
- Finally, you should take into account that you have special enrollment rights under federal law.
 - You have the right to request special enrollment in another group health plan for which you are otherwise eligible (such as a plan sponsored by your spouse's employer) within 30 days after your group health coverage ends because of the qualifying event listed above.
 - You will also have the same special enrollment right at the end of the continuation coverage if you get continuation coverage for the maximum time available to you.

How much does continuation coverage cost?

Current Monthly Rates (subject to annual change):

Medical Plans

Basic (PPO)	Single	\$468.49	Family	\$949.80
Premier (POS)	Single	\$527.71	Family	\$1,213.72

Dental Plans

Basic	EE	\$16.86	EE +1	\$34.69	Family	\$50.48
Premier	EE	\$30.23	EE +1	\$62.20	Family	\$90.49
Primary	EE	\$10.42	EE +1	\$20.72	Family	\$38.32

Vision Plans

	EXAM (included)	MATERIALS (only)
EE Only	\$ 5.20	\$ 3.86
EE +1	\$ 9.55	\$ 7.08
Family	\$16.20	\$12.03

When and how must payment for continuation coverage be made?

First payment for continuation coverage

If you elect continuation coverage, you do not have to send any payment for continuation coverage with the Election (Enrollment) Form. However, you must make your first payment for continuation coverage within 45 days after the date of your election. (This is the date the Election (Enrollment) Notice is post-marked.) If you do not make your first payment for continuation coverage within 45 days, you will lose all continuation coverage rights under the Plan. Your first payment must cover the cost of the continuation coverage from the time your coverage under the Plan would have otherwise terminated up to the time you make the first payment. You are responsible for making sure that the amount of your first payment is enough to cover this entire period. You may contact City of Memphis to confirm the correct amount of your first payment.

Periodic payments for continuation coverage

After you make your first payment for continuation coverage, you will be required to pay for continuation coverage for each subsequent month of coverage. Under the Plan, these periodic payments for continuation coverage are due on the first day of each month. If you make a periodic payment on or before its due date, your coverage under the Plan will continue for that coverage period without any break.

Grace periods for periodic payments

Although periodic payments are due on the dates shown above, you will be given a grace period of 30 days to make each periodic payment. Your continuation coverage will be provided for each coverage period as long as payment for that coverage period is made before the end of the grace period for that payment. However, if you pay a periodic payment later than its due date but during its grace period, your coverage under the Plan will be suspended as of the due date and then retroactively reinstated (going back to the due date) when the periodic payment is made. This means that any claim you submit for benefits while your coverage is suspended may be denied and may have to be resubmitted once your coverage is reinstated. If you fail to make a periodic payment before the end of the grace period for that payment, you will lose all rights to continuation coverage under the Plan.

IMPORTANT—*Grace periods do not include first payments. Your first payment for continuation coverage must be made within 45 days after the date of your election.*

How long will continuation coverage last?

In the case of a loss of coverage due to end of employment (for reasons other than gross misconduct) or reduction in hours of employment, coverage may be continued for up to 18 months. In the case of losses of coverage due to an employee's death, divorce or legal separation, the employee's enrollment in Medicare or a dependent child ceasing to be a dependent under the terms of the plan, coverage may be continued for up to 36 months. Page one of this notice shows the maximum period of continuation coverage available to the listed qualified beneficiaries.

Continuation coverage will be terminated before the end of the maximum period if:

- any required premium is not paid on time
- a qualified beneficiary becomes covered under another group health plan that does not impose any pre-existing condition exclusion for a pre-existing condition of the qualified beneficiary
- a covered employee enrolls in Medicare
- employer ceases to provide any group health plan for its employees

Continuation coverage may also be terminated for any reason the Plan would terminate coverage for a participant or beneficiary not receiving continuation coverage (such as fraud)

Can the length of continuation coverage be extended?

If you elect continuation coverage, an extension of the maximum period of 18 months of coverage may be available if a qualified beneficiary is disabled or a second qualifying event occurs. You must notify City of Memphis of a disability or a second qualifying event in order to extend the period of continuation coverage. Failure to provide notice of a disability or second qualifying event may affect the right to extend the period of continuation coverage.

Disability

An 11-month extension of coverage may be available if any of the qualified beneficiaries is disabled. The Social Security Administration (SSA) must determine that the qualified beneficiary was disabled at some time during the first 60 days of continuation coverage, and you must notify City of Memphis of that fact within 60 days of the SSA's determination and before the end of the first 18 months of continuation coverage. All of the qualified beneficiaries listed on page one of the enrollment notice who elected continuation coverage will be entitled to the 11-month disability extension if one of them qualifies. If the qualified beneficiary is determined by SSA to no longer be disabled, you must notify City of Memphis of that fact within 30 days of SSA's determination.

Second Qualifying Event

An 18-month extension of coverage will be available to spouses and dependent children who elect continuation coverage if a second qualifying event occurs during the first 18 months of continuation coverage. The maximum amount of continuation coverage available when a second qualifying event occurs is 36 months.

Such second qualifying events include:

- death of a covered employee
- divorce or legal separation from the covered employee
- covered employee's enrolling in Medicare
- dependent child's ceasing to be eligible for coverage as a dependent under the Plan

You must notify City of Memphis within 60 days after a second qualifying event occurs.

Can other health/dental coverage besides continuation coverage be elected?

No. The Plan does not provide any election of other health/dental coverage besides continuation coverage.

How does Medicare affect continuation coverage?

If you become entitled to Medicare while employed and later lose group health coverage due to loss of employment, you will be able to apply for continuation coverage.

If you elect continuation coverage for yourself and your covered dependents and you become entitled to Medicare while enrolled, your continuation coverage will terminate. Your dependents however, can remain enrolled for a total of 36 months from the original continuation coverage date.

What if I am eligible for trade adjustment assistance?

The Trade Act of 2002 created a new tax credit for certain individuals who become eligible for trade adjustment assistance (eligible individuals). Under the new tax provisions, eligible individuals can either take a tax credit or get advance payment of 65% of premiums paid for qualified health insurance, including continuation coverage. If you have questions about these new tax provisions, you may call the Health Care Tax Credit Customer Contact Center toll free at 1-866-628-4282. TTD/TTY callers may call toll free at 1-866-626-4282. More information about the Trade Act is also available at www.doleta.gov/tradeact/2002act_index.asp.